

## Scotland's progressive rhetoric: devolution and carer's allowance

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# Scotland's Progressive Rhetoric: Devolution and Carer's Allowance

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## Abstract

The Scotland Act 2016 devolved powers over eleven social security benefits (including Carer's Allowance) providing Scotland with some, albeit limited, opportunity to differentiate itself in terms of welfare policy progressivity. The Carers (Scotland) Act 2016 set out the strategy for supporting those who limit their employment or educational enrolment due to the responsibility of caring for an adult or child with a health condition. Using a microsimulation of Scottish data from the Family Resource Survey, this paper explores the potential impact, on income and poverty rates of carer households, of raising the level of CA by various amounts and by changing the eligibility criteria. It concludes that while the Scottish Government's ambitions are too modest to fully support their progressive rhetoric, or to change the overall income inequality landscape, the reforms in targeted policy do make a substantial difference to the lived experience to carers in poverty and, by extension, to the receipt of that care.

**Keywords:** care; devolution; income; poverty; social security

## Introduction

In the twenty years since the creation of the Scottish Parliament devolution has progressed in a piecemeal fashion (Mooney and Wright, 2009). Devolution offered the potential for different welfare settlements and institutional arrangements and the newly devolved administrations in Scotland, Wales and Northern Ireland from 1999 onwards began to develop policy in certain key areas, including health, social care and education policy. The potential for policy divergence from Westminster was "given greater impetus" with the election of a minority Scottish National Party-led Government in Edinburgh at the May 2007 Scottish elections. While Scotland voted against independence in September 2014, there are still strong pressures for Scottish social policy to continue to diverge from the rest of the UK (Law and Mooney, 2012). Scotland has long claimed to be 'different', and Scottish parties have prominently employed the rhetoric of social justice. However, fiscal policy has constrained the extent of divergence to date, as likely has political conservatism, with pro-independence parties tending to continue to push for independence rather than fully using what powers they have to innovate (Rummery and McAngus, 2015). As such, Smith and Hellowell (2012) have argued that the divergence between Scotland and the rest of the UK has often been more rhetorical than evident in actual policy outcomes.

Significant new powers have nevertheless gradually been bestowed on the devolved parliaments. Following the 2014 independence referendum, the Smith Commission was set up to deliver more financial, welfare and taxation powers to the Scottish Government. The Scotland Act 2016 gave Scottish Ministers for the first time powers over eleven benefits within the UK social security system, one of which was Carer's Allowance (CA). The Carers (Scotland) Act 2016 set out the Scottish Government's strategy for supporting, through financial support and recognition, those who give up or limit their employment or educational enrolment in order to provide care informally. Subsequently, The Social Security (Scotland) Act 2018 set a new framework for the new system. This devolution of certain benefits within the social security system, albeit limited, offers the opportunity for potential

progressive reform of social security policy. Proposals to increase CA aim to improve the lives of carers, many of whom are 'significantly disadvantaged by caregiving' (Larkin and Milne, 2014: 34), could go some way to redressing the historic undervaluing of care and care work (Cantillon and Lynch, 2017; Folbre, 2002).

These developments sit within a larger political landscape with alternative visions for the future of social security in Scotland. As Simpson (2017: 254) argues, these have included both fairly specific and immediate reforms which depart from current UK policy and a longer-term vision for a radically overhauled welfare state. It is not certain that devolution will lead to major policy departures, but it does for the first time provide the opportunity for the Scottish Government to develop distinctive policies in some areas. Devolution has significant implications for how 'the social rights of citizenship' are secured in Scotland, i.e. the citizen's right to a minimum standard of living, and obligations upon the state to ensure them (p252). Indeed, the 'indy-ref' as it colloquially became known was 'a high-profile manifestation of... questions of citizens' welfare and disquiet with the welfare reform agenda featured prominently in secessionist rhetoric' (p251).

While the independence campaign centred upon broader issues, the ability to transform the social security system was 'clearly signalled' by the Scottish Government as a major part of their case for independence (Spicker, 2015: 20). In some areas such as health, social care, education and the legal system, Scotland already has devolved powers, but "the disputed terrain has moved... to issues related to the economy, taxation and income maintenance, all areas substantially reserved to the government of the UK" (p18). Lodge and Trench (2014) note that social policy *has* started to diverge across the nations of the UK. In Scotland unlike the rest of the UK, the Scottish Government already cover the cost of social care provision for those assessed as needing personal and nursing care, regardless of income, assets, or marital or civil partner status, although contribution is sought for those living in residential care homes (Scottish Government, 2018). Parry (2004: 173) calls this: "The most prominent example of a divergent policy in post-devolution Scotland." Similarly, all NHS prescriptions are free in Wales, Scotland and Northern Ireland but not England. Yet, Rummery and McAngus (2015) challenge that while these initiatives have been "heralded as proof that Scotland envisages itself as providing more socially just policies for vulnerable groups than the rest of the UK...this rhetoric does not bear empirical scrutiny. They find little evidence "from its performance to date that an independent Scottish Parliament would embrace radical policies that would empower disabled people more effectively than the rest of the UK" (p 239).

Commencing in Summer 2018, The Carers (Scotland) Act set out, amongst other things: a duty on local authorities to provide support to carers and plans to raise the level of CA as sitting 'within the wider policy landscape including: integration of Health and Social Care; GP contract; new social security powers; and Fair Work agenda' (Scottish Government, 2017a). At the centre of proposed reforms is a rise in CA, the main earnings-replacement benefit paid directly to people who provide substantial levels of care to a relative or friend with care and support needs caused by a physical or mental health condition, which is at present the lowest income-replacement benefit (SPICe, 2016). Many see CA as set far too low to sustain an acceptable or dignified standard of living (Carers UK, 2014). Other benefits such as Job Seeker's Allowance (JSA), the main means-tested benefit for people actively seeking work, has been worth around £10 a week more in the UK. The 2017-18 CA rate of £62.70 a week set by The UK Government (April 2017) similarly reflected a very small rise from the 2016-17 rate of £62.10 a week, in line with inflation (GOV.UK, 2017a). This modest increment, accompanied by a small rise in

the amount that can be earned while remaining eligible for CA, from £110 net to £116 a week, was portrayed as a significant reform by the then Secretary of State for Work and Pensions, Damian Green, which celebrated carers and their contribution to society (ABLE, 2017). However, written responses to a consultation by the Scottish Government on the future of social security in Scotland (Scottish Parliament, 2017b) echoed concerns raised previously by the House of Commons Work and Pensions Committee (UK Parliament, 2008), recommending the radical overhaul of the benefit in recognition of carers' contribution to society (SPICE, 2016: 17). It is estimated that unpaid care work is worth £10.8 billion a year to the Scottish economy (£132 billion at UK level), which is close to the cost of the National Health Service annually (Buckner and Yeandle, 2015).

An Expert Working Group on Welfare, established to advise the Scottish Government described the level of CA as an 'unacceptable anomaly,' recommending that the weekly rate be raised to the level of JSA for those aged 25 and over (SPICE, 2016: 20), £73.10 a week at the time of writing, equating to a rise of £10.40. Demonstrating the political will behind investment in carers in Scotland, the Scottish Government received a large and unambiguous response to their 2016 consultation of their proposed reforms (SPICE, 2016: 16). 89% of respondents, were highly in favour of the broad approach to developing a Scottish carer's benefit, and an increase in the rate (Scottish Government, 2017b: 154). When in November of 2016, The Scottish Executive pledged to raise CA in line with JSA, with the aim of providing some support and recognition, it was estimated that it would give carers an additional £600 a year (SPICE, 2016: 27). The main Scottish political parties all supported such an increase, although the Greens proposed a greater increase to £93.15 a week (The Scottish Green Party, 2016: 8). In 2018, the Scottish Government introduced a CA supplement as a mechanism for uprating CA in the form of two lump sum payments amounting to an increase of £452.40 a year (MYGOV.SCOT, 2019). This was intended to fulfil the obligation of uprating CA in line with JSA while the payment of CA is in transition between the Department of Work and Pensions and the Scottish Government, reflecting a rise of 13% in the CA.

This article begins by critically reviewing the context of the care economy and notions of a care crisis which surrounds calls for greater recognition and support for unpaid care work. It then considers the question of who cares, and the conditions in which they do so, in order to better understand who would stand to benefit from any reforms of the CA. Following a brief discussion of methodology, microsimulation modelling is used to analyse the distributional impact of six potential reforms scenarios that the Scottish Government could adopt, including the increase in CA which took effect in the summer of 2018. Focusing only on Scottish households rather than for the UK as a whole allows a post devolution scrutiny of the impact of increasing the amount of CA; altering eligibility requirements on income inequality and poverty rates; and the numbers of CA households in poverty.

### **The Political Economy of Care**

Care work and the 'care economy' are major topics of national and global policy concern (e.g. United Nations, 2015), with talk of a 'care crisis' relating to both the implications of aging populations alongside increasing female labour market participation and the concomitant retrenchment of welfare states. Buckner and Yeandle (2015) find that from 2001 to 2015 the UK saw the number of people, aged 85 and over, increase by over 431,000 (+38%). The number of people with a limiting long-term illness increased by 1.6 million (+16%). As the demand for paid care 'already outstrips supply, reliance on contributions made by unpaid carers is likely to increase' (Singleton and Fry, 2015: 552). Social care is also under increasing pressure. It is estimated that in five years' time, 87% of local authorities will

not have the capacity to provide adequate care homes places required for the elderly (Which?, 2017). Austerity measures introduced since 2010 have created an increasingly challenging context for local authorities responsible for commissioning homecare and other forms of supports for care in the community. Without major investment in social care, much care work will *have* to be provided informally. The number of hours of care being provided informally is increasing so that the cost saving to the public purse in the UK has almost doubled its value between 2001-15, providing an estimated weekly value of £2.5 billion (Buckner and Yeandle, 2015: 5).

There are strong reasons to argue that certain aspects of care are non-commodifiable. Often care is best provided 'informally' by loved ones, rather than as part of formal care provision i.e. waged work undertaken by someone not in a pre-existing relationship with the care recipient (Cantillon and Lynch, 2017). Indeed, because of this feature, 'the true value of the care and support provided by unpaid carers cannot be quantified, as caring is also an expression of love and respect for another person' (Buckner and Yeandle, 2015: 8). However, 'informal' may also mean unpaid, underpaid or otherwise poorly supported by the state if the carer does not meet certain criteria, such as a stipulated number of hours per week, or if the care giver is in full-time education or crosses a low weekly earnings threshold. Arguably, even where these criteria are met, existing financial support is woefully inadequate to support a reasonable standard of living for those whose main activity is the care of others (Carers UK, 2014).

### **Undervaluing care**

Feminist writers have long argued that care work, in all its forms is hugely undervalued as it is treated as 'women's work' (Cantillon and Lynch, 2017; Folbre, 2002). Care work remains deeply gendered, with women predominantly providing care broadly conceived, and being more likely to be at the 'heavy end' of caring (Lloyd, 2006: 947). The demands for provision of care can also be very time specific so that women at particular stages of the life cycle are often simultaneously providing care upwards to elderly relatives and downwards to young children – the so called 'sandwich generation' (Miller, 1981; Brody, 1990; Nichols and Junk, 1997; Grundy and Henretta, 2006). Although there are vocal advocacy groups (Carers UK, Carers Scotland), carers have not historically been a powerful group politically (Larkin and Milne, 2014). As one respondent carer told the Scottish Government consultation on CA, '[w]e are a hidden asset, largely ignored and [we] deserve so much more' (Scottish Government, 2017b: 155). Incrementally, carers have become increasingly prominent politically. The work of organisations like Carers UK have lobbied government, drawing attention to the important role of carers and the struggles they face (Larkin and Milne, 2014; Lloyd, 2006). Campaigning and lobbying government has encouraged understandings of what Singleton and Fry (2015: 550) term the 'acknowledgment/recognition function' of transfers such as CA which may act as 'a crucial bulwark against the way carers' contribution to society can be rendered "invisible" in public discourse.'

A carer's benefit was instituted in 1976, but is only now approaching a level of parity with benefits provided to people unemployed but actively seeking work (Carers UK, 2014: 81-2). Society, and indeed the state, currently relies upon undervalued and under-supported informal care to prop up an increasingly austere yet in-demand social security system: "The government needs carers to be heroic and self-sacrificing. The slogan that they merit more services because they save the country money is self-defeating" (Lloyd, 2006: 952).

Research sponsored by Carers UK finds that many carers are near breaking point, lacking 'sufficient and affordable care services to back families up and enable them to have a life of their own alongside caring' (Buckner and Yeandle, 2015: 15). The 2019 State of Caring Report details the huge personal and financial cost of caring unpaid for a loved one. On top of providing tens of hours of care every week for family members or friends, more than two thirds (68%) of carers are using their own income or savings to cover the cost of care, equipment or products for the person they care for. As a result, many are struggling financially and are unable to save for their own retirement. Two in five carers (39%) say they are struggling to make ends meet and more than half (53%) of all carers are unable to save for retirement (Carers UK, 2019).

### **Who cares in Scotland?**

Official estimates<sup>1</sup> suggest that there are 759,000 adult carers (aged 16 or over) in Scotland and a further 29,000 carers under the age of 16 (SPICe, 2016: 24), equating to approximately 788,000 unpaid carers. Such estimates are likely to underestimate the number providing lower-levels of care who may not define themselves as 'carers'. Figures from the Department for Work and Pensions record 116,081 unpaid Scottish carers as entitled to CA<sup>2</sup>, while only 71,585 people currently receive the benefit. It is thought that many providing informal care fall foul of 'overlapping benefits' rules under which a person may have an 'underlying entitlement' to CA but cannot receive more than one income-replacement benefit at a time, which mostly affects pensioners (SPICe, 2016: 3). Of 36,850 people aged 65 and over who have an entitlement to CA only 960 are receiving the benefit (SPICe, 2016: 27).

### **Eligibility criteria**

While CA is a non-means tested benefit, to be eligible, individuals must currently meet several criteria. Firstly, the care-recipient must be in receipt of certain benefits, relating to a defined disability, physical or mental health issues, substance misuse or frailty, which may require life-long care, or relate to substantive care for shorter periods of time (SPICe, 2016: 16-17). Secondly, the care-giver must: spend at least 35 hours a week caring for another person, must not be in full-time education and cannot earn more than £116 a week after tax and certain expenses (GOV.UK, 2017). Carers under 16 are not currently eligible. According to Scotland's most recent census, there were 1328 people aged 15 and under who provide more than 35 hours of unpaid care per week. However, in May 2016, the Scottish Government announced that they would look at the possibility of introducing a Young Carer's Allowance, as well as removing restrictions on employment and studying while retaining the requirement to provide 'regular and substantial' care at 35 hours per week (SPICe, 2016: 24-5). Subsequently, Scottish Government have announced that a Young Carer Grant will be paid from Autumn 2019 for those not eligible for CA who care for more than 16 hours per week (GOV.SCOT, 2017). The grant will amount to a £300 annual payment as well as concessionary bus travel.

In terms of the extent of divergence from UK policy, The UK Parliament Work and Pensions Committee had questioned the eligibility criteria, for example, criticising the earnings limit for making it near impossible for carers to combine paid work with caring responsibilities as carers lose their entitlement to CA if they earn even pennies above the specified limit (UK Parliament, 2008: 46-8). Initially the

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<sup>1</sup> Based on the most recent Scottish Census (2011) and the Scottish Health Survey (SHS) for 2012/13 (see SPICe, 2016: 28).

<sup>2</sup> As at August 2017, based on DWP statistics accessed via Stat-Xplore online: <https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml> [20.4.18]

Scotland Bill 2015 had stipulated that recipients could not be 'gainfully employed'. However, the Devolution (Further Powers) Committee saw this definition as overly restrictive and furthermore, would leave entitlement overly sensitive to adjustments in the National Minimum Wage, i.e. small increases in the wage floor might push carers who combined care with low-paid work, over the earnings threshold and lose their entitlement to CA (Scottish Women's Convention, 2016: 5). CA had been defined as falling within the benefits cap of between £13,400 and £20,000 (outside of London) depending on household circumstances (GOV.UK, 2017b). However, the UK Government has since announced that CA will no longer be subject to the benefit cap, following a High Court ruling which deemed that Government was unlawfully discriminating against disabled people and their carers (SPICe, 2016: 24).

There are considerable fiscal restraints upon Scottish plans to overhaul the social security system. At present, the UK Government provides the Scottish Government with a block grant. The amount of the grant is determined by the Barnett Formula, the mechanism used by the UK Treasury to adjust the amounts of funding allocated to Northern Ireland, Scotland and Wales, applying to around 85% of the Scottish Parliament's total budget (SPICe, 2016:14-15). Any increases in benefits or new awards that take them beyond this fixed pot must be funded by the Scottish Government itself (SPICe, 2016: 16). There are furthermore several other ways in which CA interacts with other benefits which requires consideration in any reform proposal, such as changes from disability living allowance to personal independence payments, and the treatment of CA as income that is taken into account for other means-tested benefits (SPICe, 2016: 18). The microsimulation presented below consequently examines scenarios where a corresponding increase in carer premiums for income support is included, alongside the increase in CA, to make sure that low income carers get the full benefit of the CA increase. Likewise, a scenario involving a corresponding increase in the Employment and Support allowance and housing benefit alongside various proposed increases in CA because many low-income households who claim CA may also claim these benefits are also examined.

### **Projected costs of reform scenarios**

Existing government and policy research has focused upon the likely costs of raising CA by various amounts and of relaxing eligibility requirements (e.g. SPICe, 2016, The Scottish Government, 2017b). However, this has not extended to looking at the impact of proposed reform scenarios on the poverty rate among carer's households. The Scottish Parliament Information Centre (SPICe, 2016: 29) has modelled different scenarios for potential expenditure based on the new rate proposed for CA in line with JSA (£73.10 a week). The cost projections of changing the eligibility requirements and thus caseload have much larger costs implications than simply increasing the rate in line with JSA e.g. £38 m vs £656m if all limitations were removed. But what of the targeted impacts of these changes on the incomes and poverty rates of carer households?

### **Increases to Carer's Allowance: A Microsimulation Model**

In order to tease out the impact of changes to CA a microsimulation model analysis was undertaken<sup>3</sup>. The survey data used are drawn from a pooling together of the Family Resources Survey (FRS) for the years 2012-13, 2013-14 and 2014-15. The results shown are for *Scottish*

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<sup>3</sup> Microsimulation modelling conducted by Howard Reed/Landman Economics <http://www.landman-economics.co.uk>

*households only* rather than for the UK as a whole. The survey sample is a total of 8,953 households of which 161 (1.8 per cent) contain a CA claimant. The results use the weighting factors in the FRS to reweight the data so that they are more representative of the original population.

Tables 1 to 6 below present the results of the application of six potential reform scenarios that the Scottish Government might consider in terms of changes to the CA. The Scottish Government in the Carers (Scotland) Act 2016 already committed to increasing the CA in line with JSA (£73.10), an increase of £10.40 per week. However, since the single adult JSA has been frozen from 2016-2020 and moreover the JSA payment itself falls short- at around 54%- of the governments poverty line for single adults- without housing costs- and comes in at only 36% of the 'Minimum Income standard' as estimated by the Joseph Rowntree Foundation.<sup>4</sup> For these reasons the first reform scenario proposed is an increase of £20 a week which is £9.60 a week above what the Scottish Government have already committed. The second proposed increase in CA of £40 a week is a little higher than the proposal made by the Scottish Green Party. Their proposal is to increase CA to £94 a week which is a £30.30 increase on current rate (The Scottish Green Party, 2016: 8). In pushing the boat out a little further than either the Scottish Government or the Scottish Green party proposed increases in CA, we try to examine the extent to which even limited devolution can allow some progressive redistribution. The Scottish Government's consultations with stakeholders raised concerns about the eligibility criteria around CA, in addition to its level, and we examine widening eligibility to include pensioners with significant caring duties (Scottish Women's Convention, 2016).

Specifically, the following separate reforms are modelled -

1. Increasing CA by £20 a week from its current rate of £62.70 a week (2018).
2. Increasing CA by £20 a week with a corresponding increase in the carer premium for Income Support/non- contributory ESA and Housing Benefit claimants.
3. Increasing CA by £40/week.
4. Increasing CA by £40/week with a corresponding increase in the carer premium for Income Support/non- contributory ESA and Housing Benefit claimants.
5. An additional premium of £40/week for "heavy carers" (CA claimants who do 50 hours or more of caring per week as recorded in the FRS data).
6. Widening eligibility for CA to include pensioners doing 35 hours or more of caring per week.

Table 1 shows the distributional impact by decile of family equivalised disposable income. The fifth and sixth columns show the results for increasing the CA by £20 and £40 respectively with an additional corresponding increase in carer premiums for Income support (IS); non-contributory Employment and Support Allowance (ESA) and housing benefit (HB). As explained earlier, the increase in carer premiums for income support is included alongside the increase in CA as a scenario where low-income families get the full benefit of the increase. Likewise, a corresponding increase in the ESA and HB is included alongside the proposed increase in CA because a lot of low income households who claim CA claim these benefits as well. At present the carer premium is meant to compensate claimants for the fact that CA is taken into account as income in the means test for IS/ESA. The last four columns show the average percentage change in weekly income by income decile for all households from the changes in the average weekly income base. As only a relatively

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<sup>4</sup> <https://www.jrf.org.uk/report/minimum-income-standard-britain-what-people-think>.



small proportion of families receive CA the distributional impact of the reforms across the whole population of families is relatively small. For example, increasing CA by £20/week, with a corresponding increase in carer premiums for IS/ESA and HB, leads to a percentage gain of only 0.41% of disposable income in the bottom decile. The largest percentage increase (0.87%) for the poorest decile is achieved by increasing CA by £40 a week with a corresponding increase in carer premiums for IS/ESA and HB. The final column shows the distributional impact of widening the policy in relation to CA eligibility. At present pensioners are not eligible to receive CA because of overlapping benefits rules which means they are not permitted to receive both CA and the state pension. In our proposed change that rule is abolished so that pensioners can receive CA on top of a state pension. The reason why it makes no difference for the first and second deciles is because there are no pensioners in that group and they thus cannot benefit from the new rule. It is important to note however that as CA is counted as income for Pension Credit purposes PC claimants would not see any net benefit unless their PC payment (after means-testing) was lower than the level of CA. One way for the Scottish Government to get around this would be to establish a new benefit, say for example, "Pensioners Carers Allowance" which would specifically not be counted as income in the Pension Credit calculations, and so wouldn't be subject to the PC means test.

**Table 1: Distributional Impact: Percentage change in income from changes in CA Income/Eligibility**

Table 2 shows the impact on household poverty rates for each of the six reform scenarios, using the Before Housing Costs relative income definition of poverty- i.e. below 60% of median equivalised household disposable income. This is the poverty rate for all Scottish households from the FRS rather than those with carers only. Tables 5 and 6, discussed later, feature only households which receive CA. In Table 2, as in Table 1, there is very little change at the 'macro' level with a fairly inconsequential drop in the overall poverty rate of between 0.01% and 0.19%.

**Table 2: Percentage Change in Poverty Rate (BHC relative Poverty Households)**

Tables 3 and 4 show the distributional results for the subsamples of CA claimants and 'sandwich' households, that is, those claiming both Carers Allowance and Child Benefit respectively. The distributional impact for this subgroup produces much bigger average gains, compared to average gains across income quintiles for the population as a whole, because the average is calculated over just those households who are claiming CA in the first place. The one exception to this relates to the proposed reform to widen eligibility to pensioners. As shown in both Tables 3 and 4, this scenario produces a zero impact. This is because the people who benefit are not in the initial sample of CA claimants but are instead a wider group to whom CA eligibility is being extended.

**Table 3 Distributional Impact for Carer's Allowance Claimants Only: Percentage change in income from changes in CA Income/Eligibility**

As Table 3 shows, the distributional impact is greatest for the proposed increase of £40 a week plus, i.e. with the corresponding increase in carer premiums for IS; non-contributory ESA and HB. There is an average increase in income of nearly 10 percent for the poorest decile and about 7 percent for

the second and third deciles. As column 5 shows, even increasing the CA by £40 a week *without* any corresponding increases in supplementary benefits raises average income for the poorest decile by almost 8 percent. Aside from the noteworthy distributional impact, this proposed reform also suggests progressivity across the income deciles with the percentage change in income decreasing from almost 10 percent for the poorest decile to almost 3 percent for the richest decile.

**Table 4: Distributional Impact for “Sandwich” households: Percentage change in income from changes in CA Income/Eligibility**

Table 4 looks at the distributional impact for ‘Sandwich’ households, that is, households claiming both CA and child benefit. Again, the biggest impact in terms of percentage change in average income comes from increasing CA by £40 a week plus, i.e. with the corresponding increase in carer premiums for IS; non-contributory ESA and HB. Here the percentage increase is around 7 to 8 percent for the two poorest deciles and between 5 and 7 percent for the next three deciles. Similarly to the subgroup of CA claimants only in Table 3, just increasing CA by £40 without any corresponding increases in supplementary benefits raises average income for the poorest decile of CA and CB claimants by over 4 percent. Again, as with CA claimants only (Table 3), the changes are consistently progressive throughout the deciles.

Tables 5 and 6 show the changes in the numbers in poverty for the subsamples of CA claimants and ‘sandwich’ households claiming both CA and CB respectively. Focusing on the impact in terms of reduction in poverty for these subgroups produces much bigger average gains as compared to average gains across income quintiles for the population as a whole, because the average is calculated over only those households who are claiming CA (Table 2). The one exception to this relates to the proposed reform to widen eligibility to pensioners. As with the distributional impact (Tables 3 and 4) this produces a zero effect because the people who benefit are not in the initial sample of CA claimants, but instead are a wider group whom CA eligibility is being extended to in this micro simulation. One note of caution on the figures for the CA claimant group and the ‘sandwich’ group is that the sample sizes are small in both cases and hence the confidence interval on the results is likely to be quite large.

Table 5 focuses specifically on the changes to the numbers in poverty for the subgroup of CA claimants only rather than the changes in poverty rates for the population as a whole (Table 2).

**Table 5: Changes to Numbers in Poverty (CA claimants only)**

From a baseline of 30,583 CA households in poverty can be observed the decline in actual numbers, the change relative to the baseline, the overall poverty rate for this subgroup and the percentage change in the poverty as a result of each of the proposed reforms. Increasing the payment by £20 or £40 only reduces the numbers in poverty by between 2,744 and 3,944 while increasing the payments with a corresponding increase in other benefits reduces the number of CA households in poverty by 4,109 and 7,853 respectively. The largest percentage change of 6.81 percent occurs on the implementation of increasing CA by £40 per week plus (i.e. with the corresponding increase in carer premiums for IS; non-contributory ESA and HB).

Table 6 shows the changes to the numbers in poverty for the subgroup of CA *and* CB claimants. The baseline here is only 15,796 households, about half that of the CA claimant households (Table 5).

### **Table 6: Changes to Numbers in Poverty (CA and CB claimants)**

Increasing the payment by £20 or £40, with and without corresponding the increases in other benefits reduces the number of CA/CB households in poverty from between 1,264 to 3,539 with a corresponding change in the poverty rate relative to the baseline of between -2.27 and – 6.35 percent.

Table 7 shows the aggregate costings (£m per year) of implementing each policy for Scotland. It shows the costs both in £m per year and as a percentage increase in the baseline spending on CA. It is important to note that the costings are not simply the increased expenditure on CA but also take into account other fiscal impacts such as reduced expenditure on any other means-tested benefits and tax credits and increased income tax receipts. CA is treated as taxable income for Income Tax purposes.

### **Table 7: Costings relative to Baseline (£m) of Changes**

In summary, what the microsimulation analysis illustrates is that both the distributional impact and the changes in the poverty rate of the reforms across the whole population of families (benefit units<sup>5</sup>) is relatively small. This is because only a relatively small proportion of families receive CA. However, when moving to assess the distributional impact only for those in receipt of CA and for those in receipt of both CA and Child Benefit much larger average gains are observed. Further, when the impact on the numbers in poverty, focusing specifically on those receiving CA and those in receipt of both CA and Child Benefit, is assessed we see substantial results.

Specifically, the analysis above demonstrates the most significant result in terms of the distributional and poverty rate impact for CA and for sandwich (CA and CB) households comes from increasing the CA by £40 with a corresponding increase in carer premiums for IS; non-contributory ESA and HB. A reform that reduces the numbers of CA households in poverty by 8 percent, however, comes at a substantial price. As Table 7 illustrates the cost of this reform requires an increase in overall benefit spending of £108 million a year. This represents a 77 percent increase as percentage of baseline CA spending. In comparison introducing the increase of £20 plus reduces the numbers of CA households in poverty by about 4 percent requiring an increase in overall benefit spending of £51 million a year which represents a 36 percent increase in spending as percentage of baseline CA spending. These costings are very similar to the projections produced by the Scottish Parliament Information Centre in its modelling based on the new rate proposed for CA in line with JSA (SPICe, 2016: 29). In their analysis the proposed change would increase expenditure by £38m. Adopting the Scottish Green Party's proposal to increase the weekly amount of CA to £93.15 while maintaining existing eligibility requirements would incur an increase of £107m. What this paper has achieved is to make clear the distributional impact of such spending.

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<sup>5</sup>. We use the term family rather than 'benefit unit' aware that 'family' is often taken as meaning adults plus children, whereas some CA claimants are in childless households. A benefit unit is an adult single person or couple plus any dependent children.

## Conclusion

Carers provide a crucial support function in society that has been woefully undervalued. Given that local authorities will struggle increasingly to provide adequate social care in context of an aging demographic, combined with cuts to health and social care spending, it is likely that informal care will rise. This in itself, if adequately resourced, may not be a bad outcome given the some of the arguments to prefer care provided by loved ones to 'stranger care' (Cantillon and Lynch, 2017). Whether or not adequate support is there to prevent those undertaking it from slipping into poverty and debt is more open to question, but also to corrective action. The Scottish Government have raised CA more or less in line with JSA via the mechanism of a supplementary lump-sum payment. However, bringing CA almost in line with JSA still does not offer carers an income that is sufficient financially or is a fair acknowledgement of their contribution to society. Westminster have also expressed their intent to reform support for carers to better recognise the contribution they make to society. However, such proposals have remained vague and indeed there have been reports that the Department of Work and Pension officials had been asked to look into the possibility of cutting CA and restricting eligibility (UK Parliament, 2016: 23).

A key component of the Scottish independence campaign of 2014 was a vision of a fairer more progressive Scotland. The Scottish Government has stated its wish to radically depart from a social security system which has failed to recognise the 'priceless' contribution carers make to society.<sup>6</sup> In order to promote carers' rights and position in society, research is needed that provides evidence of the effectiveness and cost effectiveness of support to carers (Larkin and Milne, 2014: 33). The findings presented in this paper suggest that merely raising CA in line with JSA would see little real change to the levels of poverty among the poorest households providing care if there are not also attendant changes to overlapping benefits. Even uplifting the rate of CA by £40 a week would have a relatively low impact on the overall household poverty rate. More substantial inroads into the poverty rate would involve the £40 uplift 'plus' scenario which includes corresponding increases in premiums associated with IS, ESA and HB. The reason that both the distributional impact and the changes in the poverty rate of the reforms across the whole population is small is because only a relatively small proportion of families receive CA. However, the distributional impact of the proposed changes for those who are in receipt of CA and for those in receipt of both CA and CB show much higher average gains. In particular, the results indicated a significant impact on the numbers in poverty when the focus is solely on those receiving CA and those in receipt of both CA and Child Benefit.

We suggest that the opportunities for social security changes should not be judged against macro distributional data alone but against the impact for the actual and potential recipients of well-targeted policies – the poverty suffered by segments of society providing informal care. Increasing the weekly amount of the payments that could be given in CA and widening the eligibility to receive it were modelled to assess the impact of some of the policy variations open to the Scottish Government to pursue in this newly devolved policy-making arena. While the reforms proposed to CA in Scotland do not alter the overall income inequality distribution they could make a substantial difference to the poverty rate for carers in poverty and thus to the lived experience of carers and those for whom they care. In honouring their pledge to improve support for carers, their quality of life and in beginning to

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<sup>6</sup> As Nicola Sturgeon told the 2015 conference of the Scottish National Party (Sunday Post, 2015).

rectify an historical undervaluing of informal care, the Scottish Government might consider aiming the changes in CA at those most in need of support.

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**Table 1: Distributional Impact: Percentage change in income from changes in CA Income/Eligibility**

Decile	Average weekly Y (base)	Increase CA by £20	Increase CA by £40	Increase CA by £20 <b>And</b> Corresponding Changes to other Benefits	Increase CA by £40 <b>And</b> Corresponding Changes to other Benefits	£40/week premium for “heavy carers”	Widen CA eligibility (State Pension)
1 <sup>st</sup> (Poorest)	£203.08	0.25	0.37	0.41	0.87	0.04	0.00
2 <sup>nd</sup>	£351.02	0.08	0.18	0.29	0.62	0.03	0.00
3 <sup>rd</sup>	£370.74	0.04	0.08	0.15	0.31	0.03	0.03
4 <sup>th</sup>	£427.63	0.02	0.07	0.11	0.22	0.02	0.16
5 <sup>th</sup>	£470.65	0.04	0.09	0.12	0.25	0.01	0.09
6 <sup>th</sup>	£566.65	0.02	0.04	0.07	0.14	0.01	0.13
7 <sup>th</sup>	£642.02	0.03	0.05	0.03	0.07	0.01	0.10
8 <sup>th</sup>	£745.00	0.01	0.02	0.02	0.04	0.01	0.09
9 <sup>th</sup>	£897.41	0.00	0.01	0.00	0.01	0.00	0.01
10 <sup>th</sup>	£1,448.03	0.00	0.01	0.00	0.01	0.00	0.01

Source: Landman Economics: Microsimulation model (Scotland) 2018

**Table 2: Percentage Change in Poverty Rate (BHC relative Poverty Households)**

	Baseline	Increase CA by £20	Increase CA by £40	Increase CA by £20 <b>And</b> Corresponding Changes to other Benefits	Increase CA by £40 <b>And</b> Corresponding Changes to other Benefits	£40/week premium for ‘heavy carers’	Widen CA eligibility (State Pension)
Poverty Rate (adjusted)	18.67%	18.63%	18.62	18.58%	18.48%	18.66%	18.67%
Change Relative to baseline		-0.04%	-0.05%	-0.09%	-0.19%	-0.01%	0.00%

Source: Landman Economics: Microsimulation model (Scotland) 2018

**Table 3 Distributional Impact for Carer’s Allowance Claimants Only: Percentage change in income from changes in CA Income/Eligibility**

Decile	Proportion of HHs in decile who are CA claimants	Average weekly Y (base) £	Increase CA by £20	Increase CA by £40	Increase CA by £20 <b>And</b> Corresponding Changes to other Benefits	Increase CA by £40 <b>And</b> Corresponding Changes to other Benefits	£40/week premium for 'heavy carers'	Widen CA eligibility (State Pension)
1 <sup>st</sup> (Poorest)	2.4%	402.47	5.17	7.63	4.52	9.65	0.73	0.00
2 <sup>nd</sup>	3.9%	480.00	1.54	3.38	3.27	7.10	0.48	0.00
3 <sup>rd</sup>	2.1%	528.52	1.25	2.51	3.23	6.95	0.98	0.00
4 <sup>th</sup>	1.8%	581.09	0.79	2.86	3.02	6.38	0.84	0.00
5 <sup>th</sup>	1.9%	528.49	1.66	4.05	2.79	6.35	0.61	0.00
6 <sup>th</sup>	1.9%	684.46	0.83	1.70	2.18	4.39	0.51	0.00
7 <sup>th</sup>	1.0%	687.47	2.36	4.59	2.36	4.59	0.54	0.00
8 <sup>th</sup>	0.5%	874.11	1.48	2.91	2.29	4.53	1.17	0.00
9 <sup>th</sup>	0.2%	1,295.54	1.37	2.74	1.37	2.74	1.38	0.00
10 <sup>th</sup>	0.3%	1,502.74	1.33	2.66	1.33	2.66	0.00	0.00

Source: Landman Economics: Microsimulation model (Scotland) 2018

**Table 4: Distributional Impact for “Sandwich” households: Percentage change in income from changes in CA Income/Eligibility**

Decile	Proportion of HH in decile who are CA claimants	Average weekly Y (base) £	Increase CA by £20	Increase CA by £40	Increase CA by £20 <b>And</b> Corresponding Changes to other Benefits	Increase CA by £40 <b>And</b> Corresponding Changes to other Benefits	£40/week premium for 'heavy carers'	Widen CA eligibility (State Pension)
1 <sup>st</sup> (Poorest)	1.2%	532.97	3.19	4.14	3.92	7.92	0.00	0.00
2 <sup>nd</sup>	2.0%	485.29	1.89	3.52	3.42	7.18	0.04	0.00
3 <sup>rd</sup>	0.9%	611.85	0.71	2.49	2.46	5.73	1.46	0.00
4 <sup>th</sup>	1.0%	648.14	1.15	2.79	2.38	5.29	0.00	0.00
5 <sup>th</sup>	1.0%	495.47	1.28	3.95	2.68	6.84	0.00	0.00
6 <sup>th</sup>	0.9%	655.35	0.75	1.57	3.10	6.27	0.00	0.00
7 <sup>th</sup>	0.6%	719.93	2.02	4.03	2.02	4.03	0.00	0.00
8 <sup>th</sup>	0.3%	820.97	1.66	3.23	2.44	4.79	0.00	0.00
9 <sup>th</sup>	0.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10 <sup>th</sup>	0.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: Landman Economics: Microsimulation model (Scotland) 2018

**Table 5: Changes to Numbers in Poverty (CA claimants only)**

	Baseline	Increase CA by £20	Increase CA by £40	Increase CA by £20 <b>And</b> Corresponding Changes to other Benefits	Increase CA by £40 <b>And</b> Corresponding Changes to other Benefits	£40/week premium for 'heavy carers'	Widen CA eligibility (State Pension)
Numbers	30,583	27,839	26,639	26,474	22,730	29,779	30,583
Change (relative to baseline)		-2,744	-3,944	-4,109	-7,853	-804	0
Poverty Rate	26.51%	24.13%	23.09%	22.95%	19.70%	25.81%	26.51%
Change (relative to baseline)		-2.38%	-3.42%	-3.56%	-6.81%	-0.70%	0

Source: Landman Economics: Microsimulation model (Scotland) 2018

**Table 6: Changes to Numbers in Poverty (CA and CB claimants)**

	Baseline	Increase CA by £20	Increase CA by £40	Increase CA by £20 <b>And</b> Corresponding Changes to other Benefits	Increase CA by £40 <b>And</b> Corresponding Changes to other Benefits	£40/week premium for 'heavy carers'	Widen CA eligibility (State Pension)
Numbers	15,796	14,532	14,532	13,862	12,257	15,796	15,796
Change (relative to baseline)		-1,264	-1,264	-1,934	-3,539	0	0
Poverty Rate	28.32%	26.06%	26.06%	24.85%	21.98%	28.32%	28.32%
Change (relative to baseline)		-2.27%	-2.27%	-3.47%	-6.35%	0	0

Source: Landman Economics: Microsimulation model (Scotland) 2018

**Table 7: Costings relative to Baseline (£m) of Changes**

Baseline Numbers 15,796 Rate 28.32%	Increase CA by £20	Increase CA by £40	Increase CA by £20 <b>And</b> Corresponding Changes to other Benefits	Increase CA by £40 <b>And</b> Corresponding Changes to other Benefits	£40/week premium for 'heavy carers'	Widen CA eligibility (State Pension)
Increase in overall benefit spending (£m per year)	22	40	51	108	6	66
Increase in spending as % of baseline CA spending	16%	29%	36%	77%	4%	47%

Source: Landman Economics: Microsimulation model (Scotland) 2018